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A STUDY OF THE SALES OF INDIVIDUAL ITEMS IN FOUR TYPES OF RETAIL DRUG STORES

PAUL C. OLSEN

L. C.

A THESIS

IN ECONOMICS

PRESENTED TO THE FACULTY OF THE GRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

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A Determination of the Most Profitable Merchandising Policies in Retail Selling

1. *Purpose of this Investigation*

This investigation is an attempt to determine the profits[1] on individual retail sales.

The total gross[2] and net profits[3] of a retail store for any period can be calculated readily from the profit and loss statement,[4] if accurate records are maintained.

A profit and loss statement, however, does not show the gross and net profits on each individual retail sale. This investigation is an effort to determine if there are important differences in the gross and net profits on individual sales in a retail store.

If there are important differences in the profitableness of individual retail sales, the merchant obviously can increase the total net profits of his business by making a greater number of the sales which are found to be most profitable. Without an accurate knowledge of what individual sales are most profitable, this advantage is denied him.

2. *Scope of this Investigation*

The retail store chosen for this investigation is a Philadelphia drug store in a neighborhood of solid-row homes valued at $4,000 to $6,000 each.

The period chosen for investigation is January 1st to June 30th, 1928.

A further limitation upon the scope of this investigation is its confinement to sales of toilet goods in this store. The term,

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[1] See Note 4 for definition.
[2] See Note 4 for definition.
[3] See Note 4 for definition.
[4] The profit and loss statement is defined as follows by Roy B. Kester, *Accounting Theory and Practice*, p. 46.
"An algebraic presentation of the statement" (the profit and loss statement) "—is oftentimes valuable. The cost of the goods sold portion becomes:
1. Initial inventory plus purchases—minus final inventory equals cost of goods sold.
2. Sales minus cost of goods sold equals gross trading profit.
"The rest of the statement is covered by the following equation:
3. Gross trading profit minus the sum of selling expenses and general administrative expenses plus other income" (if any) "equals the net profit.'

toilet goods, is taken to include the following classes of merchandise.[5]

HAIR PREPARATIONS

Hair tonics and dandruff preparations
Hair dressing, liquid and cream
Brilliantines, liquid and crystal
Pomades
Bandolines
Hair dyes
Hair Bleaches
Shampoos
Shampoo brushes
Depilatories, liquid, paste, powder and wax
Depilatory outfits
Hair brushes
Hair combs and tonic combs
Hair curling preparations, liquid and paste

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[5] This classification was developed with the advice, assistance and approval of the following persons active in the drug trade, including manufacturers, wholesalers and retailers.

1. E. L. Newcomb, Secretary, National Wholesale Druggists' Association, New York.
2. F. E. Holliday, General Representative, National Wholesale Druggists' Association, New York.
3. Sidney Hollander, President, Maryland Pharmaceutical Company, Baltimore.
4. H. S. Noel, Eli Lilly & Company, Indianapolis.
5. A. Kiefer Mayer, Vice-President, The Kiefer-Stewart Company, Indianapolis.
6. George B. Evans, Vice-President and General Manager, The Gibson-Snow Company, Albany.
7. Ambrose Hunsberger, Retail Druggist, Philadelphia.
8. J. F. Finneran, Retail Druggist, Boston.
9. J. T. Riemenschneider, Retail Druggist, Chicago.
10. F. Page Seibert, Retail Druggist, Philadelphia.
11. James J. Moore, Retail Druggist, Philadelphia.
12. Jerry McQuade, Vice-President, Topics Publishing Company, New York.
13. Murray Breese, Editor, American Druggist, New York
14. A. W. Pauley, President, St. Louis College of Pharmacy.
15. R. A. Porter, Vice-President, the Dorland Advertising Agency, New York.

Evidence of the completeness of this classification of toilet goods is offered by the fact that of the 177,014 individual toilet goods sales ultimately analysed in this investigation, no item was found which could not be classified within the groups listed.

Hair curlers
Hair straightening combs and preparations
Curling Irons
Hair clippers
Scissors
Electric hair dryers
Hair receivers
Hair nets
Hair pins

SHAVING PREPARATIONS
Shaving creams (lathering)
Latherless shaving creams
Shaving sticks
Shaving powders
Shaving soaps
Shaving lotions (alcoholic base) including bay rum and witch hazel
Shaving brushes
Razors, standard and safety
Razor blades
Strops, mechanical stroppers and hones
Shaving stands
Mustache wax

DENTAL PREPARATIONS
Tooth pastes
Tooth powders
Liquid dental preparations and mouth washes
Tooth brushes
Tooth brush holders and cases
Dental plate brushes
Dental plate powders
Dental plate cements
Dental floss
Tooth picks

COSMETICS AND FACIAL PREPARATIONS
Face powders, loose
Face powders, liquid
Face powder compacts
Face powder compact refills

Powder puffs
Powder puff boxes
Powder papers
Combination vanity cases
Rouges, liquid and paste
Rouge papers
Rouge compacts
Rouge compact refills
Face enamels
Lip pomades, lipsticks and camphor ice
Cold creams
Vanishing creams
Massage creams
Astringents, liquid, cream and powder
Toilet vinegars
Plastic foods
Skin whiteners
Flesh bleaches
Moth and freckle lotions
Wrinkle eradicators
Complexion brushes
Eyebrow and eyelash brushes
Eyebrow crayons and coloring
Tweezers
Eyelash and brow growers
Masquerols
Beauty Spots

PREPARATIONS FOR THE HANDS

Hand brushes
Hand lotions
Cuticle softeners
Cuticle pushers
Cuticle removers
Nail polishes, liquid and powder
Nail polish removers
Nail bleaches, liquid and powder
Nail whites
Nail tints
Nail growers
Manicure sticks

Manicure sets
Nail buffers
Nail files
Emery boards
Nail clippers
Manicure scissors
Nail brushes

GENERAL TOILET PREPARATIONS

Perfume extracts
Perfume pomades
Toilet waters
Toilet ammonias
Colognes
Smelling salts

Perfume bottles
Perfume atomizers
Perfume burners
Sachet powders
Talcum powders
Rice powders
Stearate of zinc powders
Absorbent powders
Almond meal and paste
After the bath powders
Bath crystals, powders, salts and tablets
Soaps
Bath sprays and spray brushes
Bath thermometers
Deodorants, liquid, cream and powder
Foot ices
Bath brushes
Sponges
Sponge bags
Washing and cleansing cloths and papers
Chamois
Electric vibrators
Massage brushes
Pocket and hand mirrors
Toilet Sets

In an effort to determine whether or not the profitableness of toilet goods sales in the retail drug store chosen are influenced by individual differences peculiar to that store alone, parallel investigations have been made of toilet goods sales in three other drug stores, each serving a patronage decidedly different from that of the others.

The additional drug stores in which these parallel investigations have been conducted are:

1. A drug store in a suburb of Philadelphia surrounded by and serving residents of homes valued at $15,000 upward.
2. A drug store in a town of about 1000[6] population, 40 miles west of Philadelphia, serving also the residents of a surrounding farming community.
3. A drug store on one of the busiest streets in the central shopping district of Philadelphia.

The results in each of these three additional stores are reported separately and, finally, a comparison is made of them.

3. *Method Used*

If individual sales checks were written each time a sale is made in these stores, it would be possible to classify and tabulate the toilet goods items on these sales checks in accordance with the classification of toilet goods already listed. None of these stores, however, writes individual sales checks each time a sale is made.

Nor are other records kept in any of these stores of the amount bought and sold of each individual item in stock.

Each store had available, however, a complete but unclassified record of merchandise purchases during the period included in this investigation (January 1 to June 30, 1928). This record was in the form of the invoices rendered by the vendors of merchandise to these stores. A classification of all the items bought from January 1 to June 30, 1928, could be made, therefore, from these

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[6] U. S. Census, 1920.

invoices.[7] Some of the weaknesses of the method employed are as follows:

1. The presumption is that merchandise purchases are indicative of merchandise sales. If a merchant buys the same item of merchandise six different times in the six months included in this investigation, it seems fair to conclude that he must have sold successively each of the purchases or he would not re-order that merchandise. This hypothesis does not apply with equal force, however, in the case of items which were bought only once in the six-month period under investigation. In the presentation of facts to follow, it will be evident that the total amount of the items bought only once in the six-month period investigated is such a small fraction of all purchases as to be negligible.

2. *Cost* of goods purchased is obtainable directly from amounts shown on the invoices. Volume of *sales* was calculated by multiplying the number of units bought by the sales price in the particular store investigated. This takes no account of possible fluctuations of sales prices within the six-month period under investigation. Only seven such instances were discovered, however, among the more than 3300 brands, sizes, styles and varieties tabulated.

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[7] The accuracy of the method was discussed personally with Ray Hudson, Chief of the Division of Simplified Practice of the United States Department of Commerce. The United States Department of Commerce, in cooperation with nearly 100 industries, has made studies of the comparative volume of manufacturers' sales in different styles, varieties and sizes of manufactured products and of merchandise sold at wholesale with a view to making recommendations for the elimination of needless styles, varieties and sizes. In industries in which classified inventory records were not available, the facts were obtained from sales invoices of individual manufacturers and wholesalers.

The method used in this investigation reverses the United States Department of Commerce procedure. In this investigation, the invoices *received* by a particular retailer were used instead of the invoices sent by particular manufacturers and wholesalers to a number of customers. Mr. Hudson could see no serious weakness in the method proposed.

Its validity also was discussed with and approved by Alvin Dodd, then Chief of the Domestic Distribution Department of the Chamber of Commerce of the United States and other officials of that department.

Also it was discussed with and approved by A. W. Shaw, then president of the A. W. Shaw Company, Publishers, and affiliated with many other corporations. Mr. Shaw was a member of Herbert Hoover's war-time Committee called together for the purpose of eliminating waste in industry.

In addition, it was discussed with and approved by F. J. Nichols, then manager of the retail service department of the National Cash Register Company, and officials of the National Retail Hardware Association in Indianapolis.

3. The presumption has been made that when a dozen of an item have been bought, twelve individual sales result. In practice the number of individual sales may be any number from one to twelve. Observation of thousands of individual sales of the classes of merchandise included in this investigation forces the opinion, however, that the vast majority of such retail sales are in single units. Furthermore, as will appear, the conclusions ultimately reached in this investigation apply with even greater force if sales are made in more than unit quantities.

4. Some of the sales actually made during the period of this investigation were undoubtedly, of merchandise bought before January 1, 1928. On the other hand, some of the merchandise bought before June 30th, 1928, undoubtedly was not sold until after that time. The presumption is that one counterbalances the other.[8]

Although it is possible to describe and analyse the results of this investigation and the conclusions possible from them in a comparatively brief space, the research and study required to produce them consumed nearly three years' time.

The method finally employed was decided upon only after consultations in New York, Chicago, Washington, Indianapolis, Dayton and Philadelphia with persons familiar with one or more aspects of the proposed investigation. (See Note 5 and Note 7.)

In the actual tabulation from the purchase invoices of the items, cost and quantities of merchandise bought, 635 hours of working time were consumed, the equivalent of more than 90 full working days.

Over 47,000 index cards were used in these tabulations. Each one of these 47,000 index cards then had to be assorted by hand to separate, first, the records of the purchases which fell within the 126 classes of merchandise included in this investigation.

The cards containing records of the purchase of merchandise in these 126 classifications then had to be assorted further in

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[8] Fluctuations in the amounts of merchandise on hand in retail drug stores have been found to be so slight that the United States Bureau of Internal Revenue no longer requires of retail druggists even an annual physical inventory to be included in the druggist's income tax return.

accordance with these 126 classifications. Since a total of 3,216 different items were found in these 126 classifications, the assortment, in practice, had to be made according to these 3,216 items. From them the totals for the 126 classifications were calculated, and from them, in turn, the totals for the six general classifications ultimately used. The procedure necessarily was long and tedious.

In addition, the process was repeated in its entirety twice more to obtain the totals for items classified as consistent sellers and for those classified as slow sellers. (See pp. 10–11.)

The working sheets containing these totals are nearly 500 in number.

To obtain retail selling prices, the stores had to be visited and the stocks carefully checked. For each of the 3,216 items found, painstakingly accurate calculations then had to be made of total sales, turnover and average investment in merchandise, in order to create the basic figures from which to form the various totals for the six general classifications ultimately used. (See Note 7, Note 9, Note 10, Note 11, and Note 17.) This also was a long and tedious process.

While this investigation proved to be a lengthy and rather elaborate one, it is not suggested that the conclusions ultimately reached (see pp. 38–43) exhaust the possibilities of the subject, nor even of the data which form the basis of this study.

Some of the additional investigations which appear possible with the present material are:

1. A study of seasonal variations in the sales of the merchandise included in the this investigation, with a determination of the selling opportunities thus revealed.
2. A study of the druggists' buying habits and tendencies in the 3,216 items included in this investigation, with a view to determining definitely the most profitable purchasing policies.
3. A study of selling opportunities, as indicated by the amount of the sales made in each class of merchandise, the national and local advertising of these classes of merchandise, national and local customs affecting the use of this merchandise, and other factors.

Quite evidently, any of these topics could be seriously and profitably studied.

In addition, there must be numerous other valuable studies which could be pursued profitably from the same basic data.

In view of the many such possibilities, this study has been confined deliberately to as exhaustive a treatment as possible of just one of the many investigations suggested by the material collected and analysed. The aim has been to be intensive and specific, rather than extensive and general.

The conclusions reached in this study appear to be of considerable importance, and the time and effort required to get them have been far more than might appear from the length of the report.

4. *Description of Results*

(a) *City Neighborhood Drug Store*

This store stocked 434 different brands, varieties and sizes of toilet goods.

In these 434 brands, varieties and sizes it made a total of 5592 individual sales, in the six-month period investigated.

These sales averaged slightly more than 34c each, a total amount of $1922.

The variations in margin,[9] volume[10] and turnover[11] between the various classes of toilet goods carried in this store are shown in the following table. The variations in the complexity of stock in various lines are also shown by Table No. 1.

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[9] Margin (also referred to as gross margin, and as gross profit) is the difference between the price this druggist paid for merchandise and the price for which he sold this merchandise. The percentage figure in Table No. 1 is a percentage of sales.

[10] Volume (also referred to as sales) is the amount (in dollars) received for merchandise. In Table No. I, the average amounts received from individual sales of various classes of toilet goods are shown. The total amount of sales in these classes is shown in Table No. VI. The average amount of the sale is calculated by dividing the total number of sales for a class of toilet goods into the total receipts from the sale of that class of toilet goods.

[11] Turnover is a measure here of the *rapidity* with which the sales of merchandise investigated are being sold. If these sales are made at a net profit, turnover becomes also, therefore, a measure of the rapidity with which profits are earned. This investigation, as already mentioned (page 7; also Note 7) assumes that the retail druggist's purchases of merchandise are indicative of sales in like amount and kind. Also the assumption is that six purchases, for example, in the period under investigation, are indicative of six turnovers of this stock in the period under investigation.

TABLE I

VARIATIONS IN MARGIN, VOLUME AND TURNOVER

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN (PER CENT OF SALES)
Hair	95	669	36c	4.4	35
Shaving	37	655	46c	7.6	32
Dental	58	1913	34c	9.6	35
Facial	132	797	41c	4.2	37
Hand	13	164	36c	4.6	33
General	99	1394	25c	4.6	36
All Classes	434	5592	34c	5.4	35

Of this total toilet-goods business, items which were ordered at least three times in a six-month period or which sold in quantities of at least 3 dozen within six months composed the per cent of the total business in toilet goods indicated below. For convenience in reference these items which were ordered at least three times in a six-month period or which sold in quantities of at least three dozen within six months are designated arbitrarily as consistent sellers.

Of the 434 items carried, only 159 were consistent sellers. Thus, only 37 per cent, or a little more than a third of the total number of toilet goods items in stock were consistent sellers.

From these 159 consistent sellers, however, a total of 4155 individual sales were made. This is 74 per cent of the number of all toilet goods sales.

Moreover, these 4155 individual sales averaged slightly more than 34 cents each, a total of $1394, which is 73 per cent of the total receipts from the sales of toilet goods.

Among these consistent sellers there are variations in margin, turnover and volume. The following table shows these variations in margin, turnover and volume.

TABLE II
VARIATIONS IN CONSISTENT SELLERS

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN (PER CENT OF SALES)
Hair	29	324	41c	8.2	33
Shaving	19	563	45c	11.8	30
Dental	39	1815	34c	12.8	35
Facial	36	405	36c	8.6	33
Hand	3	119	37c	14.0	32
General	33	930	22c	9.0	32
All Classes	159	4156	34c	10.2	34

For convenience in reference all other toilet goods sales than those already arbitrarily designated as consistent sellers, are called slow sellers. In the case of the slow sellers there are variations in margin, turnover and volume. The following table shows them.

TABLE III
VARIATIONS IN SLOW SELLERS

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN (PER CENT OF SALES)
Hair	66	345	31c	2.8	36
Shaving	18	92	53c	2.9	45
Dental	19	98	35c	2.6	37
Facial	96	392	45c	2.6	40
Hand	10	45	33c	1.8	38
General	66	464	31c	2.4	43
All Classes	275	1436	37c	2.6	40

A further comparison of the consistent and the slow sellers is shown by the following table.

TABLE IV
VARIATIONS IN PROPORTION OF SALES

CLASS OF TOILET GOODS	PERCENTAGE OF ITEMS STOCKED WHICH ARE SLOW SELLERS	PROPORTION OF NUMBER OF SALES MADE WHICH ARE OF SLOW SELLERS
Hair	70%	52%
Shaving	50	14
Dental	33	5
Facial	73	49
Hand	77	27
General	67	33
All Classes	63%	26%

From the facts above, it is apparent that there are marked variations in the likelihood of accumulating slow sellers in the various classes of toilet goods.

It is also apparent from the facts in the preceding tables that the consistent sellers, from the standpoint of volume and turnover, are far in the lead. Turnover and volume, although they vitally affect the profitableness of a business, cannot in themselves produce a profit unless each individual sale is made at a profit.[12] In fact, if business is done at a loss the faster the turnover and the larger the volume, the more rapidly losses accumulate.

The question which must be answered, therefore, is how profitable, comparatively, are the consistent sellers and the slow sellers. In this store salaries of salespeople and proprietor average 20 per cent[13] of sales. Rent averages 4 per cent of sales and miscellaneous carrying costs (light, heat, taxes, insurance, depreciation, and repairs) total 4 per cent additional. Thus carrying costs total 8 per cent of sales. Since the average annual turnover of the entire merchandise stock of the store is 2.6 times a year, these carrying costs cover the cost of carrying merchandise in the store for 20 weeks. (This time is determined by dividing 2.6 into the number of weeks in a year.) The cost of carrying merchandise in the store for 10 weeks would thus be 4 per cent of sales. That is to say, the proportionate share of rent, insurance, taxes and other carrying costs which should be

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[12] Examples:

1. A vegetable huckster sells his stock from his wagon in a day thus enjoying an extraordinarily high rate of turnover of his merchandise stock. In spite of this high rate of turnover, vegetable huckstering is not attractive because of the small volume of business that it is possible for an individual to do.

2. A retail drug store with sales of $1,000,000 a year would be considered one of extraordinarily large size. Yet if such sales required a merchandise investment of $3,000,000, it is apparent that the business would not yield a satisfactory return on the investment even if profits averaging as high as 10c on each dollar of sales were earned.

3. If a fruit stand proprietor buys apples for 5 cents each and sells them 6 for 25 cents, it is obvious that he cannot make a profit no matter how large his volume of business nor how rapid his turnover.

[13] These and succeeding percentage figures are calculated from this store's profit and loss statement for 1928.

borne by a particular item varies in proportion to the time it remains in the store before it is sold.[14]

Following is an application of these facts to the typical sale of an item classed as a consistent seller.

This average sale amounted to.....34c[15]
The merchandise sold cost 66 per cent of that or.....22c
Proportionate share of salesperson's salary (average 20 per cent of sales)..... 7c
Carrying costs for an average of 5 weeks..... 1c
Profit.....4c

Since the average turnover of the consistent sellers is 10.2[16] times a year, it is thus possible from this single 22-cent investment in merchandise to make a total of 10.2 such 4-cent profits in a year, a total of 41 cents.

Following is a comparison of this profit with the average profit from a slow seller.

This average sale amounted to.....37c[17]
The merchandise sold cost 60 per cent of that or.....22c
Proportionate share of salesperson's salary (average 20 per cent of sales)..... 7c
Carrying costs for an average of 20 weeks (because the turnover of the slow sellers averages 2.6 times a year)..... 3c
Profit..... 5c

From this 22-cent investment it is possible on the average to make this 5-cent profit only 2.6 times in a year, thus producing a total profit for the year from this 22-cent merchandise investment of but 13 cents, which is less than one-third of the 41 cents produced by the same amount of money invested in consistent sellers.

Further evidence of the greater profitableness of the consistent sellers is shown by the following table of sales and profits earned in the various classes of toilet goods both in consistent and in slow sellers.

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[14] For a detailed explanation of this principle, see Remington's Practice of Pharmacy, 7th Edition, E. Fullerton Cook and Charles H. LaWall, pp. 1332–3.
[15] See Table No. II.
[16] *Ibid.*
[17] See Table No. III.

Although the profit per dollar of sales is almost the same on both consistent and slow sellers, the return on the money invested in consistent sellers is more than three times as great because of the smaller investment required, as compared with the slow sellers.

TABLE V

PROFITS FROM CONSISTENT SELLERS

CLASS OF TOILET GOODS	SALES (6 MONTHS)	PROFIT (NET)	PER CENT OF PROFIT ON SALES	AVERAGE AMOUNT OF MONEY INVESTED IN MERCHANDISE	AVERAGE NET PROFIT EARNED IN 6 MONTHS PER DOLLAR INVESTED IN MERCHANDISE
Hair	$132	$15	11.4	$21	73c
Shaving	255	21	8.2	27	78
Dental	611	83	13.6	56	148
Facial	145	16	11.0	23	70
Hand	44	4	9.1	5	80
General	207	18	8.7	31	58
All Classes	$1394	$157	11.3	$163	96c

TABLE VI

PROFITS FROM SLOW SELLERS[18]

Hair	$107	$9	8.4	$48	19c
Shaving	48	9	16.7	22	41
Dental	34	4	11.8	13	31
Facial	178	21	11.8	83	25
Hand	15	1	6.7	8	12
General	146	20	13.7	67	30
All Classes	$528	$64	12.1	$241	27c

[18] Sales are tabulated as explained in Note 7.

Net profits are calculated as explained on p. 14.

The third column is the percentage that the second column is of the first column.

The average amount of money invested in merchandise is first estimated for each of the 434 brands, varieties and sizes of toilet goods stocked in this store by dividing the number of purchases of that item made during the period under investigation into the total amount (in dollars) of the purchases of that item made during the period. The sum of these amounts in a particular class of toilet goods is the estimate of the average amount of money invested in merchandise in that class.

It will be noticed that this method assumes that an additional purchase of an item is made when the stock on hand is half exhausted. Frequent observation forces the opinion that an additional purchase of an item is delayed many times until the stock on hand is more than half exhausted. Therefore this method tends to overestimate somewhat the amount of the toilet goods investment and therefore to underestimate the return per dollar invested in merchandise.

(b) *Suburban Drug Store*

This store stocked 503 different brands, varieties and sizes of toilet goods.

In these 503 brands, varieties and sizes it made a total of 11,769 individual sales in the six-month period investigated.

These sales average slightly more than 44c each, a total amount of $5203.

The variations in margin,[19] volume and turnover between the various classes of toilet goods carried in this store are shown in the following table. The variations in the complexity of stock in various lines are also shown by Table No. VII.

TABLE VII

VARIATIONS IN MARGIN, VOLUME AND TURNOVER

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	67	992	46c	4.2	39
Shaving	50	1381	52c	5.0	36
Dental	64	3679	46c	6.0	39
Facial	117	1221	57c	3.6	38
Hand	36	386	60c	4.0	43
General	169	4110	35c	3.4	37
All Classes	503	11769	44c	4.0	38

Of this total toilet goods business, consistent sellers[20] composed the proportion of the total business in toilet goods which is indicated below.

Of the 503 items carried, only 159 were consistent sellers. Thus, only 32 per cent, or less than one-third of the total number of toilet goods items in stock were consistent sellers.

From these 150 consistent sellers, however, a total of 9.430 individual sales were made. This is 80 per cent of the number of all the toilet goods sales.

Moreover, these 9,430 individual sales averaged slightly less than 38 cents each, a total of $3544, which is 68 per cent of the total receipts from the sales of toilet goods.

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[19] See Notes 9, 10 and 11 for definitions of margin, volume and turnover.

[20] See page 10 for a definition of this term.

Among these consistent sellers there are variations in margin, turnover and volume. The following table shows these variations in margin, turnover and volume.

TABLE VIII

Variations in Consistent Sellers

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	21	645	45c	7.8	38
Shaving	20	1152	50c	8.8	36
Dental	34	3376	46c	8.8	38
Facial	25	699	48c	7.8	36
Hand	10	258	42c	8.4	39
General	49	3300	21c	6.0	38
All Classes	159	9430	38c	7.6	38

Although only 2,339 sales of slow sellers[21] were made during the six-month period, these sales averaged slightly less than 71 cents each, a total volume of $1659. As in the case of the consistent sellers, there are, however, variations in the amount of the average sale in various lines of toilet goods, as well as in margin, turnover and volume. The following table shows these variations.

TABLE IX

Variations in Slow Sellers

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	46	347	48c	2.6	42
Shaving	30	229	60c	2.4	35
Dental	30	303	45c	2.8	40
Facial	92	522	68c	2.4	40
Hand	26	128	94c	2.2	47
General	120	810	92c	2.4	36
All Classes	344	2339	71c	2.4	39

[21] See page 11 for a definition of this term.

A further comparison of the consistent and the slow sellers is shown by the following table.

TABLE X

VARIATIONS IN PROPORTION OF SALES

CLASS OF TOILET GOODS	PROPORTION OF NUMBER OF ITEMS STOCKED WHICH ARE SLOW SELLERS	PROPORTION OF NUMBER SALES MADE WHICH ARE SLOW SELLERS
Hair	69%	35%
Shaving	60	17
Dental	47	8
Facial	79	43
Hand	72	33
General	71	20
All Classes	68%	20%

From the facts above, it is apparent that there are marked variations in the likelihood of accumulating slow sellers in the various classes of toilet goods.

It is also apparent from the facts in the preceding tables that the consistent sellers, even though the average sale is little more than half that of the slow sellers, are far in the lead from the standpoint of volume and turnover. Although they vitally affect the profitableness of a business, volume and turnover in themselves cannot produce a profit unless each individual sale is made at a profit. In fact, if the business is done at a loss, the faster the turnover and the larger the volume, the more rapidly losses accumulate.

The question which must be answered, therefore, is how profitable, comparatively, are the consistent sellers and the slow sellers. In this store, salaries of salespeople and proprietor and delivery expenses average 22 per cent[22] of sales. Rent averages 4 per cent of sales and miscellaneous carrying costs (light, heat, taxes, insurance, depreciation and repairs) total 5 per cent additional. Thus carrying costs total 9 per cent of sales.

Since the average annual turnover of the entire merchandise stock of the store is 2.0 times a year, these carrying costs cover

[22] These and succeeding percentage figures are calculated from this store's profit and loss statement for 1928.

the cost of carrying merchandise in the store for 26 weeks. (This time is determined by dividing 2.0 into the number of weeks in a year.) The cost of carrying merchandise in the store for 13 weeks would thus be 4½ per cent of sales. That is to say, the proportionate share of rent, insurance, taxes and other carrying costs which should be borne by a particular item varies in proportion to the time it remains in the store before it is sold.[23]

Following is an application of these facts to the typical sale of an item classed as a consistent seller.

This average sale amounted to.....38c[24]
The merchandise cost 62 per cent of that or.....24c
Proportionate share of sales costs (average 22 per cent of sales)..... 8c
Carrying costs for an average of 7 weeks..... 1c
Profit..... 5c

Since the average turnover of the consistent sellers is 7.6[25] times a year, it is thus possible from this single 24-cent investment in merchandise to make a total of 7.6 such 5-cent profits in a year, a total of 38 cents.

Following is a comparison of this profit with the average profit from a slow seller.

This average sale amounted to.....71c[26]
The merchandise sold cost 61 per cent of that or.....43c
Proportionate share of sales costs (average 22 per cent of sales).....16c
Carrying costs for an average of 22 weeks (because the turnover of the slow sellers averages 2.4 times a year)..... 5c
Profit..... 7c

From this 43-cent investment in merchandise it is possible, on the average, to make this 7c profit only 2.4[27] times in a year, thus producing a total profit for the year from this 43-cent investment of but 17 cents. Forty-three cents invested in

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[23] See Note 14.
[24] See Table No. VIII.
[25] *Ibid.*
[26] See Table No. IX.
[27] *Ibid.*

consistent sellers would have produced an annual profit of 68 cents, four times as much as the profits produced by a like amount of money invested in slow sellers.

Further evidence of the greater profitableness of the consistent sellers is shown by the following table of sales and profits earned in the various classes of toilet goods, both in consistent and in slow sellers.

The net profit per dollar of sales is 40 per cent greater in the case of the consistent sellers. On account of the more rapid turnover of the consistent sellers the net profit per dollar invested in merchandise is nearly five times larger in the case of the consistent sellers than it is in the case of the slow sellers.

TABLE XI

PROFITS FROM CONSISTENT SELLERS[28]

CLASS OF TOILET GOODS	SALES (6 MONTHS)	PROFIT (NET)	PER CENT OF PROFIT ON SALES	AVERAGE AMOUNT OF MONEY INVESTED IN MERCHANDISE	AVERAGE NET PROFIT EARNED IN 6 MONTHS PER DOLLAR INVESTED IN MERCHANDISE
Hair	$290	$39	13.4	$47	83c
Shaving	579	68	11.9	85	80
Dental	1544	223	14.4	181	123
Facial	335	39	11.3	58	67
Hand	110	17	15.5	15	113
General	686	86	12.5	155	55
All Classes	$3544	$472	13.3	$541	87c

TABLE XII

PROFITS FROM SLOW SELLERS[29]

Hair	$167	$21	12.6	$82	26c
Shaving	137	8	5.8	67	12
Dental	137	16	11.7	60	27
Facial	355	38	10.7	185	21
Hand	120	21	17.5	58	36
General	743	53	7.1	413	13
All Classes	$1658	$157	9.5	$865	18c

[28] See Note 18 for an explanation of the methods used in preparing these tables.

[29] *Ibid.*

(c) *Country Drug Store*

This store stocked 303 different brands, varieties and sizes of toilet goods.

In these 303 brands, varieties and sizes it made a total of 6,843 individual sales in the six-month period investigated.

These sales average slightly less than 36c each, a total amount of $2436.

The variations in margin,[30] volume and turnover between the various classes of toilet goods carried in this store are shown in the following table. The variations in the complexity of stock in various lines are also shown by Table No. 13.

TABLE XIII

VARIATIONS IN MARGIN, VOLUME AND TURNOVER

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	51	877	28c	3.0	34
Shaving	36	1358	36c	2.8	40
Dental	42	2370	33c	4.4	36
Facial	89	789	50c	2.6	39
Hand	11	99	49c	2.4	37
General	74	1350	36c	2.6	45
All Classes	303	6843	36c	3.0	39

Of this total toilet goods business, consistent sellers[31] composed the proportion of the total business in toilet goods which is indicated below.

Of the 303 items carried, only 56 were consistent sellers. Thus, only 18 per cent, or little more than one-sixth of the total number of toilet goods items in stock were consistent sellers.

From these 56 items, however, a total of 4,554 individual sales were made. This is 67 per cent of the number of all the toilet goods sales.

Moreover, these 4,554 individual sales averaged slightly more than 30 cents each, a total of $1368 which is 56 per cent of the total receipts from the sale of toilet goods.

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[30] See Notes 9, 10 and 11 for definitions of margin, volume and turnover.

[31] See page 10 for a definition of this term.

Among these consistent sellers there are variations in margin, turnover and volume. The following table shows these variations in margin, turnover and volume.

TABLE XIV

VARIATIONS IN CONSISTENT SELLERS

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	10	434	18c	6.2	26
Shaving	11	1092	34c	4.8	42
Dental	17	2080	32c	7.0	37
Facial	5	174	45c	7.2	37
Hand	None	...	...	...	..
General	13	774	21c	4.2	36
All Classes	56	4554	30c	5.8	38

Although only 2,289 sales of slow sellers[32] were made during the six-month period, these sales averaged slightly less than 47 cents each, a total volume of $1068. As in the case of the consistent sellers, there are, however, variations in the amount of the average sale in various lines of toilet goods, as well as in margin, turnover and volume. The following table shows these variations.

TABLE XV

VARIATIONS IN SLOW SELLERS

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	41	443	37c	2.2	38
Shaving	25	266	47c	2.0	34
Dental	25	290	34c	2.8	33
Facial	84	615	51c	2.4	39
Hand	11	99	49c	2.4	37
General	61	576	55c	2.2	49
All Classes	247	2289	47c	2.4	41

[32] See page 11 for a definition of this term.

A further comparison of the consistent and the slow sellers is shown by the following table:

TABLE XVI

VARIATIONS IN PROPORTION OF SALES

CLASS OF TOILET GOODS	PROPORTION OF NUMBER OF ITEMS STOCKED WHICH ARE SLOW SELLERS	PROPORTION OF NUMBER SALES MADE WHICH ARE SLOW SELLERS
Hair	80%	51%
Shaving	69	20
Dental	60	12
Facial	94	78
Hand	100	100
General	82	43
All Classes	82	33

From the facts, above, it is apparent that there are marked variations in the likelihood of accumulating slow sellers in the various classes of toilet goods.

It is also apparent from the facts in the preceding tables that the consistent sellers, even though the average sale is about one-third less than that of the slow sellers, are in the lead from the standpoint of volume and turnover. Although they vitally affect the profitableness of a business, volume and turnover in themselves cannot produce a profit unless each individual sale is made at a profit. In fact, if each transaction is done at a loss, the faster the turnover and the larger the volume, the more rapidly losses accumulate.

The question which must be answered, therefore, is how profitable, comparatively, are the consistent sellers and the slow sellers. In this store salaries of salespeople and proprietor average 18 per cent[33] of sales. Rent averages 2 per cent of sales and miscellaneous carrying costs (light, heat, taxes, insurance, depreciation and repairs) total 4 per cent additional. Thus carrying costs total 6 per cent of sales.

Since the average annual turnover of the entire merchandise stock of the store is 1.6 times a year, these carrying costs cover

[33] These and succeeding percentage figures are calculated from this store's profit and loss statement for 1928.

the cost of carrying merchandise in the store for 32½ weeks. (This time is determined by dividing 1.6 into the number of weeks in a year.) The cost of carrying merchandise in the store for 16¼ weeks would thus be 3 per cent of sales. That is to say, the proportionate share of rent, insurance, taxes and other carrying costs which should be borne by a particular item varies in proportion to the time it remains in the store before it is sold.[34]

Following is an application of these facts to the typical sale of an item classed as a consistent seller.

This average sale amounted to.....30c[35]
The merchandise cost 62 per cent of that or.....19c
Proportionate share of sales costs (average 18 per cent of sales)..... 5c
Carrying costs for an average of 9 weeks..... 1c
Profit..... 5c

Since the average turnover of the consistent sellers is 5.8[36] times a year, it is thus possible from this single 19-cent investment in merchandise to make a total of 5.8 such 5 cent profits in a year, a total of 29 cents.

Following is a comparison of this profit with the average profit from a slow seller.

This average sale amounted to.....47c[37]
The merchandise sold cost 59 per cent of that or.....28c
Proportionate share of sales costs (average 18 per cent of sales)..... 8c
Carrying costs for an average of 22 weeks (because the turnover of the slow sellers averages 2.4 times a year)..... 2c
Profit..... 9c

From this 28-cent investment in merchandise it is possible, on the average, to make this 9c profit only 2.4[38] times a year, thus producing a total profit for the year from this 28-cent investment of 22 cents. Twenty-eight cents invested in consistent sellers would have produced an annual profit of 44 cents,

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[34] See Note 14.
[35] See Table No. XIV.
[36] *Ibid.*
[37] See Table No. XV.
[38] *Ibid.*

twice as much as the profits produced by a like amount of money invested in slow sellers.

Further evidence of the greater profitableness of the consistent sellers is shown by the following table of sales and profits earned in various classes both in consistent and in slow sellers.

While the profit per dollar of sales averages practically th same in the case of both the consistent sellers and the slow sellers, on account of the more rapid turnover of the consistent sellers, the profit per dollar invested in merchandise averages more than 85 per cent greater in the case of the consistent sellers than it does in the case of the slow sellers.

TABLE XVII

PROFITS FROM CONSISTENT SELLERS[39]

CLASS OF TOILET GOODS	SALES (6 MONTHS)	PROFIT (NET)	PER CENT OF PROFIT ON SALES	AVERAGE AMOUNT OF MONEY INVESTED IN MERCHANDISE	AVERAGE NET PROFIT EARNED IN 6 MONTHS PER DOLLAR INVESTED IN MERCHANDISE
Hair	$78	$5	6.4	$20	25c
Shaving	370	81	21.9	115	70
Dental	676	118	17.4	163	72
Facial	78	14	17.9	15	93
Hand	None	..	....	...	..
General	166	26	15.7	64	41
All Classes	$1368	$244	17.8	$377	65c

TABLE XVIII

PROFITS FROM SLOW SELLERS[40]

Hair	$165	$26	15.8	$89	29c
Shaving	126	13	10.3	74	18
Dental	99	11	11.1	49	22
Facial	313	54	17.3	164	33
Hand	49	7	14.3	26	27
General	316	86	27.2	150	57
All Classes	$1068	$197	18.4	$552	35c

[39] See Note 18 for an explanation of the methods used in preparing these tables.

[40] *Ibid.*

(d) *City Center Drug Store*

This store stocked 1,976 different brands, varieties and sizes of toilet goods.

In these 1,976 brands, varieties and sizes it made a total of 152,810 individual sales in the six-month period investigated. These sales average almost exactly 40 cents each, a total amount of $61,118.

The variations in margin, volume and turnover between the various classes of toilet goods carried in this store are shown in the following table. The variations in the complexity of stock in various lines are also shown by Table No. XIX.

TABLE XIX

VARIATIONS IN MARGIN, VOLUME AND TURNOVER

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	269	12,286	44c	4.8	39
Shaving	135	26,206	52c	5.4	28
Dental	137	53,630	34c	9.2	22
Facial	919	20,871	64c	4.0	33
Hand	109	3,544	49c	4.2	36
General	407	36,273	25c	4.2	32
All Classes	1976	152,810	40c	4.6	29

Of this toilet goods business, consistent sellers[41] made up the proportion of the total business in toilet goods which is indicated below.

Of the 1,976 items carried, only 752 were consistent sellers. Thus, only 38 per cent, or a little more than a third of the total number of items carried in stock could be called consistent sellers.

From these 752 items, however, a total of 141,303 individual sales were made. This is 92 per cent of the number of all the toilet goods sales.

Moreover, these 141,303 individual sales averaged slightly more than 34 cents each, a total of $51,511, which is 84 per cent of the total receipts from the sale of toilet goods.

[41] See page 10 for a definition of this term.

Among these consistent sellers, there are variations in margin, turnover and volume. The following table shows these variations in margin, turnover and volume.

TABLE XX

VARIATIONS IN CONSISTENT SELLERS

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	137	11,076	42c	6.8	39
Shaving	83	25,765	50c	7.4	27
Dental	107	53,335	34c	11.0	22
Facial	231	14,415	54c	8.0	26
Hand	35	2,889	45c	8.0	33
General	159	33,823	20c	7.2	31
All Classes	752	141,303	36c	8.0	27

Although only 11,507 sales of slow sellers[42] were made during the six-month period, these sales averaged nearly 84 cents each, a total volume of $9,607. As in the case of the consistent sellers, there are, however, among the slow sellers, variations in the amount of the average sale in the various lines of toilet goods, as well as in margin, turnover and volume. The following table shows these variations.

TABLE XXI

VARIATIONS IN SLOW SELLERS

CLASS OF TOILET GOODS	NUMBER OF BRANDS, VARIETIES, SIZES	NUMBER OF SALES	AVERAGE AMOUNT OF EACH SALE	STOCK TURNOVER (TIMES A YEAR)	GROSS MARGIN PER CENT
Hair	132	1,210	56c[43]	2.6	38
Shaving	52	441	181c	2.2	43
Dental	30	295	36c	2.6	40
Facial	688	6,456	86c	2.6	43
Hand	74	655	65c	2.4	44
General	248	2,450	85c	2.4	38
All Classes	1,224	11,507	84c	2.6	41

[42] See page 11 for a definition of this term.
[43] Includes brushes, stroppers and razors.

A further comparison of the consistent and the slow sellers is shown by the following table.

TABLE XXII

VARIATIONS IN PROPORTION OF SALES

CLASS OF TOILET GOODS	PROPORTION OF NUMBER OF ITEMS STOCKED WHICH ARE SLOW SELLERS	PROPORTION OF NUMBER SALES MADE WHICH ARE SLOW SELLERS
Hair	49%	10%
Shaving	39	2
Dental	22	1
Facial	75	32
Hand	68	19
General	61	7
All Classes	62%	8%

From the facts above, it is apparent that there are marked variations in the likelihood of accumulating slow sellers in the various classes of toilet goods.

It is also apparent from the facts in the preceding tables that the consistent sellers, even though the average sale is less than half that of the slow sellers, are far in the lead from the standpoint of volume and turnover. Although they vitally affect the profitableness of a business, volume and turnover in themselves cannot produce a profit unless each individual sale is made at a profit. In fact, if the business is done at a loss, the faster the turnover and the larger the volume, the more rapidly losses accumulate.

The question which must be answered, therefore, is how profitable, comparatively, are the consistent sellers and the slow sellers. In this store salaries of salespeople and proprietor and advertising costs average a total of 10 per cent[44] of sales. Rent averages 5 per cent of sales and miscellaneous carrying costs (light, heat, taxes, insurance, depreciation and repairs) total 3 per cent additional. Thus carrying costs total 8 per cent of sales.

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[44] These and succeeding percentage figures are calculated from the store's profit and loss statement for 1928.

Since the average annual turnover of the entire merchandise stock of the store is 5.0 times a year, these carrying costs cover the cost of carrying merchandise in the store for 10.4 weeks. (This time is determined by dividing 5.0 into the number of weeks in a year.) The cost of carrying merchandise in the store for 5.2 weeks would thus be 4 per cent of sales. That is to say, the proportionate share of rent, insurance, taxes and other carrying costs which should be borne by a particular item varies in proportion to the time it remains in the store before it is sold.[45]

Following is an application of these facts to the typical sale of an item classed as a consistent seller.

This average sale amounted to.....36c[46]
The merchandise cost 73 per cent of that or.....26c
Proportionate share of sales costs (average 10 per cent of sales)..... 4c
Carrying costs for an average of 6½ weeks..... 2c
Profit..... 4c

Since the average turnover of the consistent sellers is 8.0[47] times a year, it is thus possible from this single 26-cent investment in merchandise to make a total of 8.0 such 4-cent profits in a year, a total of 32 cents.

Following is a comparison of this profit with the average return from a slow seller.

This average sale amounted to.....84c[48]
The merchandise sold cost 59 per cent of that or..... 50c
Proportionate share of sales costs (average 10 per cent of sales)..... 8c
Carrying costs for an average of 20 weeks (because the turnover of the slow sellers averages 2.6 times a year).....13c
Profit.....13c

From this 50-cent investment in merchandise it is possible, on the average, to make this 13-cent profit only 2.6 times a year, thus producing a total profit for the year from this 50-cent invest-

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[45] See Note 14.
[46] See Table No. XX.
[47] *Ibid.*
[48] See Table No. XXI.

ment of 34 cents. Fifty cents invested in consistent sellers would have produced an annual profit of 64 cents, nearly twice as much as the profits produced by a like amount of money invested in slow sellers.

Further evidence of the greater profitableness of the consistent sellers is shown by the following table of sales and profits earned in the various classes of toilet goods both in consistent and in slow sellers.

The profit per dollar of sales is about 25 per cent greater in the case of the slow sellers. However, on account of the more rapid turnover of the consistent sellers, the rate of profit per dollar invested in merchandise averages more than 50 per cent greater in the case of the consistent sellers than it does in the case of the slow sellers.

TABLE XXIII

PROFITS FROM CONSISTENT SELLERS[49]

CLASS OF TOILET GOODS	SALES (6 MONTHS)	PROFIT (NET)	PER CENT OF PROFIT ON SALES	AVERAGE AMOUNT OF MONEY INVESTED IN MERCHANDISE	AVERAGE NET PROFIT EARNED IN 6 MONTHS PER DOLLAR INVESTED IN MERCHANDISE
Hair	$4,707	$1,100	23.4	$1,189	92c
Shaving	12,802	1,534	12.0	3,193	48
Dental	18,018	1,579	8.8	2,388	66
Facial	7,826	856	11.0	2,805	31
Hand	1,288	235	18.1	270	87
General	6,870	1,045	15.2	2,271	46
All Classes	$51,511	$6,349	12.3	$12,116	52c

TABLE XXIV

PROFITS FROM SLOW SELLERS[50]

Hair	$675	$93	13.8	$334	28c
Shaving	799	123	15.4	383	32
Dental	106	15	14.2	49	31
Facial	5,527	974	17.6	2,500	39
Hand	426	72	16.9	216	33
General	2,074	225	10.9	1,094	21
All Classes	$9,607	$1,502	15.6	$4,576	33c

[49] See Note 18 for an explanation of the methods used in preparing the tables.

[50] *Ibid.*

5. *Analysis, Comparison and Summary of Results and Conclusions*

The facts uncovered by this investigation of 177,014 retail toilet goods sales can be summarized as follows:

1. The leading classes of toilet goods in the four types of stores investigated were as follows:

TABLE XXV

	PER CENT OF DOLLAR AMOUNT OF SALES OF TOILET GOODS			
	CITY NEIGHBORHOOD DRUG STORE	SUBURBAN DRUG STORE	COUNTRY DRUG STORE	CITY CENTER DRUG STORE
(a) Dental Preparations	34%	32%	32%	29%
(b) Shaving "	16	14	20	22
(c) General "	18	27	20	15
(d) Facial "	17	13	16	22
(e) Hair "	12	9	10	9
(f) Hand "	3	5	2	3

2. Most of the toilet goods sales made in these drug stores were of consistent sellers.[51]

TABLE XXVI

	PROPORTION OF NUMBER OF SALES MADE WHICH ARE CONSISTENT SELLERS
(a) City Neighborhood Drug Store	74%
(b) Suburban Drug Store	80%
(c) Country Drug Store	67%
(d) City Center Drug Store	92%

3. Most of the items of toilet goods stocked in these stores are slow sellers.[52]

TABLE XXVII

	PROPORTION OF NUMBER OF ITEMS STOCKED WHICH ARE SLOW SELLERS
(a) City Neighborhood Drug Store	63%
(b) Suburban Drug Store	68%
(c) Country Drug Store	82%
(d) City Center Drug Store	62%

[51] See page 10 for a definition of this term.
[52] See page 11 for a definition of this term.

4. The gross margin[53] of profit on the toilet goods which are slow sellers is greater than it is on toilet goods which are consistent sellers.

TABLE XXVIII

	AVERAGE GROSS MARGIN OF PROFIT (PER CENT) ON:	
	CONSISTENT SELLERS	SLOW SELLERS
(a) City Neighborhood Drug Store	34%	40%
(b) Suburban Drug Store	38%	39%
(c) Country Drug Store	38%	41%
(d) City Center Drug Store	27%	41%

5. The consistently selling toilet goods have a turnover[54] 2½ to 4 times as fast as the toilet goods classed as slow sellers.

TABLE XXIX

	AVERAGE ANNUAL RATE OF TURNOVER (TIMES A YEAR)	
	CONSISTENT SELLERS	SLOW SELLERS
(a) City Neighborhood Drug Store	10.2	2.6
(b) Suburban Drug Store	7.6	2.4
(c) Country Drug Store	5.8	2.4
(d) City Center Drug Store	8.0	2.6

6. The combination of a more rapid rate of turnover and a larger amount of sales resulted in the consistently selling toilet goods producing both a greater total amount of profits and a great amount of profit per dollar invested in toilet goods. This is in spite of the lower gross margins of profit obtained on consistently selling toilet goods, as compared with the slow sellers.

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[53] See Note 2 for a definition of this term.

[54] See Note 11 for an explanation of the methods used in calculating this figure and for a definition of turnover.

TABLE XXX

	PROPORTION OF AMOUNT OF TOILET GOODS PROFITS FROM:	
	CONSISTENT SELLERS	SLOW SELLERS
(a) City Neighborhood Drug Store	71%	29%
(b) Suburban Drug Store	75%	25%
(c) Country Drug Store	55%	45%
(d) City Center Drug Store	81%	19%
	AVERAGE PROFIT IN 6 MONTHS PER DOLLAR INVESTED IN TOILET GOODS	
	CONSISTENT SELLERS	SLOW SELLERS
(a) City Neighborhood Drug Store	96c	27c
(b) Suburban Drug Store	87c	18c
(c) Country Drug Store	65c	35c
(d) City Center Drug Store	52c	33c

7. In three of the four drug stores in which this investigation was conducted, there is close agreement in the proportionate amount of sales, profit and merchandise investment in consistently selling toilet goods. This investigation was conducted in more than the one drug store in order to afford some check up on the individual differences which might be peculiar to toilet goods sales in that store alone. Stores serving widely divergent classes of customers were chosen. (See Page 5.)

TABLE XXXI

	PER CENT OF THE STORE'S TOTAL AMOUNT OF SALES IN CONSISTENTLY SELLING TOILET GOODS	PER CENT OF THE STORE'S TOTAL PROFITS EARNED BY CONSISTENTLY SELLING TOILET GOODS	PER CENT OF THE STORE'S TOTAL MERCHANDISE INVESTMENT WHICH IS IN CONSISTENTLY SELLING TOILET GOODS
City Neighborhood Drug Store	8.3%	15.4%	2.0%
Suburban Drug Store	8.7	17.0	2.1
Country Drug Store	6.8	15.3	2.3
City Center Drug Store	25.7	39.8	20.5

8. The marked differences in the fourth store, the city center drug store, is attributed to its long established policy to concentrate selling effort upon merchandise which is or can be made to sell consistently.

None of the three other stores has done this. The principal means employed by the city center store to increase its sale of consistent sellers are:

1. Window and Store Display
2. Newspaper Advertising
3. Reduced Prices

Toilet goods sales in this store are made with lower gross and net margins of profit[55] per dollar of sales and investment as compared with the other three stores. The much larger volume of sales made has produced a much larger amount of profits, as compared with the other three stores.[56]

TABLE XXXII

	AMOUNT OF SIX-MONTHS SALES IN CONSISTENTLY SELLING TOILET GOODS	AMOUNT OF SIX-MONTHS NET PROFITS IN CONSISTENTLY SELLING TOILET GOODS
City Neighborhood Drug Store....	$1,394	$157
Suburban Drug Store.....	3,544	472
Country Drug Store.....	1,368	244
City Center Drug Store.....	$51,511	$6,349

[55] See Table No. XXVIII and Table No. XXX.

[56] The methods used in this investigation tend to underestimate rather than to overestimate the importance of consistent selling toilet goods.

First, the method of estimating the rate of turnover of merchandise stock tends to give a figure which may be lower than the actual rate of turnover. See Note 11 and Note 18.

Second, the allocation to consistent selling toilet goods of a salary cost which is as much proportionately as that charged to the sale of any item in the store (see pages 14, 21, 28 and 35), undoubtedly gives the consistent selling toilet goods a higher charge than is actually justifiable by definition, consistent sellers are items which have proved to sell with more than average readiness. There is, however, no specific proof which can be submitted in support of this opinion.

Based on the eight specific conclusions listed above, the following recommendations are made to increase the amount of net profits from toilet goods sales.

1. Buy and sell so as to make consistent sellers of as many items of toilet goods as possible.
2. Concentrate attention and selling effort upon the consistently selling toilet goods.

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